

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

SWF-01 IO-10 XMB-02 OPIC-03 /094 W

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R 181230Z DEC 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9223

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E.O. 11652: N/A

TAGS: EFIN, ETRD, AR

SUBJECT: CONDITION OF EXPORTERS BECOMING SERIOUS

1. SUMMARY. THE SITUATION OF ARGENTINE EXPORTERS APPEARS TO BE GETTING MORE SERIOUS. OVER LAST SEVERAL MONTHS, MINISTRY OF ECONOMY HAS RECEIVED PETITIONS FROM WIDE VARIETY EXPORT GROUPS REQUESTING CHANGES IN EXCHANGE RATE AND OTHER ADJUSTMENTS TO IMPROVE EXPORT REGIME. BASIC PROBLEM IS THAT DESPITE SHARPLY RISING DOMESTIC COSTS OVER LAST TWO YEARS, EXCHANGE REGIME HAS BEEN LITTLE CHANGED. SITUATION PROBABLY AGGRAVATED IN EYES OF EXPORTERS BY MORE LIBERAL EXPORT REGIMES AND POLICIES FOLLOWED BY SOME NEIGHBORING COUNTRIES. GOA IS REVIEWING EXPORT POLICIES AND PROGRAMS BUT AS YET IT'S NOT CLEAR WHAT CHANGES MAY BE IMPLEMENTED. WHILE SITUATION IS SERIOUS, OVERALL EXPORT PROSPECTS FOR 1975 STILL REMAIN FAVORABLE. END SUMMARY

2. NON-TRADITIONAL EXPORTS - SITUATION OF NON-TRADITIONAL EXPORTERS APPEARS MOST SERIOUS. DOMESTIC COSTS HAVE RISEN SHARPLY OVER LAST TWO YEARS WHILE EXPORT REGIME HAS REMAINED ESSENTIALLY UNCHANGED. MANY EXPORTERS OF NON-TRADITIONAL PRODUCTS FEEL THAT UNLESS FINANCIAL INCENTIVES IMPROVED, EXPORT OPERATIONS IN 1975

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WILL RESULT IN LOSSES FOR MANY COMPANIES. SOME OF THESE MAY BE

OBLIGED TO BREAK EXPORT CONTRACTS. MAJOR PREOCCUPATION IS WITH EXCHANGE RATE. ONE SOURCE TOLD REPOFF EXPORTERS WOULD LIKE DEVALUATION FROM PRESENT FINANCIAL RATE OF 9.93 PESOS/DOLLAR TO ABOUT 15 PESOS/DOLLAR WITH SUBSIDIES UNCHANGED. EXPORTERS HAVE ALSO COMPLAINED ABOUT OTHER ASPECTS EXPORT REGIME INCLUDING LONG DELAYS THEY EXPERIENCING IN RECEIVING SUBSIDIES. CHAMBER OF EXPORTERS RECENTLY SUBMITTED ITS VIEWS ON ECONOMIC ISSUES TO ECONOMY MINISTER GOMEZ MORALES WHICH INCLUDED FORMAL REQUEST FOR EXCHANGE RATE ADJUSTMENT.

3. TRADITIONAL EXPORTS - EXPORTERS OF TRADITIONAL AGRICULTURAL PRODUCTS ARE NOT MUCH BEHIND NON-TRADITIONAL EXPORTERS IN VOICING THEIR OWN CONCERN OVER EXPORT CONDITIONS. REPRESENTATIVES OF GRAIN, WOOL AND MEAT PACKING INTERESTES HAVE ALL PRESENTED ECONOMY MINISTER WITH PLANS FOR IMPROVING EXPORT SITUATION. INFLUENTIAL AGRICULTURAL SOCIETY CONFEDERACION DE ASOCIACIONES RURALES DE BUENOS AIRES Y LA PAMPA (CARBAP) RECENTLY APPROVED "EMERGENCY PLAN" FOR AGRICULTURE WHICH INCLUDED PROPOSAL THAT EXCHANGE RATE FOR ALL AGRICULTURAL EXPORTS BE RAISED FROM PRESENT 8.68 PESOS/DOLLAR TO FINANCIAL RATE 9.93 PESOS/DOLLAR.

4. COMMENT. RISING CHORUS OF PROTEST FROM EXPORTERS MAY HELP CONVINCE GOA SOMETHING MUST BE DONE TO KEEP OVERVALUED EXCHANGE RATE FROM PUTTING BRAKES ON EXPORTS. IN GENERAL, GOA LIKELY TO GIVE HIGHER PRIORITY TO TRADITIONAL EXPORTS, WHILE GRADUALLY MOVING TOWARD MORE SELECTIVE PROMOTION OF NON-TRADITIONAL ITEMS. IN PRACTISE, EXPORTS OF WIDE CATEGORY OF NON-TRADITIONAL ITEMS HAVE BEEN TEMPORARILY SUSPENDED IN ORDER TO ENSURE ADEQUATE DOMESTIC SUPPLY. MEANWHILE, GOMEZ MORALES HAS CONTINUED TO INDICATE THAT DEVALUATION IS NOT IMMINENT AND WOULD BE A LAST RESORT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORT PRICES, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS09111
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740368-0183
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741227/aaaaawnn.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <18 MAR 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONDITION OF EXPORTERS BECOMING SERIOUS
TAGS: EFIN, ETRD, AR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005